

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Quarterly Audit Status Report

ITEM NUMBER: 7

ATTACHMENT(S): 3

ACTION:

DATE OF MEETING: February 8, 2001

INFORMATION: X

PRESENTER(S): Way Lee

The following provides a quarterly report on the status of the Office of Audits' FY 2000-01 school district audits; internal audits, including special projects; and compliance case reviews as of January 22, 2001 (or as otherwise indicated).

SCHOOL DISTRICT AUDITS:

Follow-up:

The two final remaining findings have been resolved. The Service Retirements Division has made the required adjusting calculations and reconciled with the audited calculations and the remaining allowance adjustments. Therefore, our follow-up on the 13 findings is complete and this item is closed.

Current Audits:

The School District Audit Section began new audits of the Lassen Community College (Defined Benefits) and Yuba Community College (Cash Balance Benefit Program) during the second quarter. Additionally, the staff issued one final report and one final Reporting Self-Assessment (RSA) report during the period. Three draft reports are in progress. Details of the status of current audits are provided in the fiscal year-to-date (FYTD) Status Report at Attachment 1. The following table provides a summary of the status of current audits:

**School District Audits/Projects
Second Quarter (9/26/00 - 12/31/00)**

Fieldwork or RSA work in progress	3
Drafting report/review	3
Draft Issued/Completing final report	
Awaiting management's response	
Final S/D audit report or RSA report issued	<u>2</u>
Total Audits and Self Assessments:	8

INTERNAL AUDITS:

START Project Review:

MaciasGini & Co. (MGC) was initially awarded a contract in mid-1999 to provide CalSTRS' management with an independent assurance regarding selected aspects of the START data conversion process and to assist CalSTRS in other areas. At that time it was anticipated that START conversion would occur in December 1999.

The conversion "Go Live" date was postponed several times during calendar year 2000 and is currently scheduled for March 15, 2001. An underlying assumption of the MGC consultants was that START's planned data conversion and implementation efforts would conform to schedule. But delays in the START project precluded the MGC consultants from performing any further substantive testing after May 2000.

However, the on-going work of CalSTRS' internal Conversion Reconciliation Team, the success of the Model Office Pilot run, and evaluations provided by the START Oversight Project manager (SAIC) have led CalSTRS' management to the following conclusion: there is minimal risk in not having an independent review of the final trial run and the actual data conversion. Therefore, CalSTRS' management and the MGC consultants have mutually agreed not to proceed with an additional contract.

The Office of Audits will observe best practices and perform a post implementation review of the START project. The scope and nature of this review will be contingent on the early results following successful conversion and will focus on three broad objectives as follows:

- The system does what it is supposed to do
- The system is adequately controlled
- The system meets the user needs

Other Internal Audits/Special Projects:

During the second quarter of FY 2000-01 (from 9/26/00 to 1/21/01) internal audit staff completed three special projects and started one new audit and one special project. In addition, staff worked on five other projects that were in progress or ongoing as of 1/22/01. Also, one project was temporarily postponed. Details of these audits/projects are provided within the Internal Audits FY 2000-01 Status Report at Attachment 2. The following table provides a summary of the status of internal audits/projects worked on during the second quarter of the fiscal year:

Internal Audits/Projects
FY 2000/01 Second Quarter (9/26/00 - 1/22/01)

Fieldwork in progress/project ongoing (as of 1/22/01)	7
Project temporarily postponed	1
Drafting report/review	0
Draft Issued/Completing final report	0
Awaiting management's response	0
Project completed (report/memo not applicable)	2
Final report/memo issued	<u>1</u>
Total Audits/Projects:	11

COMPLIANCE CASE REVIEWS:

During the period of September 16, 2000, through December 31, 2000, the Compliance Unit staff started 16 new cases and completed 19 cases.

The table below is a summary of the status of compliance cases for the three month period ending on December 31, 2000. This data is supported by Attachment 3, which provides details of the cases.

Compliance Cases
Fiscal Year 2000/01 Second Quarter (9/16/00 through 12/31/00)

Cases from a prior period	36
Cases started during this period	16
Less final reports issued	<u>(19)</u>
Total Cases in Progress at the End of the Period:	33

OFFICE OF AUDITS
SCHOOL DISTRICT AUDITS/SPECIAL PROJECTS: FYTD STATUS REPORT
As of December 31, 2000

Audit	Month Started	Target for Final Report	Status of Audit	Date of Final Report
Berkeley Unified, Defined Benefit	2/00	03/01	Draft report reviewed by ARC. Changes being made.	
Berkeley Unified, Cash Balance	2/00	10/00	Final report issued	12/19/00
Hayward Unified	3/00	03/01	Draft report reviewed by supervisor. Changes being made	
San Francisco Unified	9/00	05/01	Field work in progress	
Lassen Community College	10/00	04/01	Draft report in progress	
Yuba Community College District	11/00	05/01	Field work in progress	

Special Project	Month Started	Target for Completion	Status of Project	Date of Final Report or Memo
Control Self-Assessment of Lassen county offices of education.	10/00	12/00	Final report issued to Lassen COE	12/11/00
Control Self-Assessment of community college district	11/00	3/00	Field work in progress	

OFFICE OF AUDITS
INTERNAL AUDITS: FY 2000-01 STATUS REPORT
FYTD as of January 21, 2001

AUDIT PROJECTS

Audit	Month Started	Target for Final Report	Status of Audit	Date of Final OOA Report
Information Security Office Review	2/00	Complete	Review complete. Final report issued to CEO and DCEO in July 2000.	6/30/00
Soft Dollar Program	8/00	2/01	Fieldwork in progress.	
SAM 20000 Review of EDP Internal Controls, Admin. Branch	12/00	2/01 (EDP only)	Fieldwork in progress for review of EDP controls cycle.	

SPECIAL/OTHER PROJECTS

Special Project	Month Started	Target for Completion	Status of Project	Date of Final OOA Report
START Projects.	11/97	N/A	Fieldwork is ongoing for various projects. Progress is addressed within the Qtrly Status Report.	
Develop Fraud Policy for CalSTRS.	10/99	6/01	Work on this project has been postponed and should resume in June 2001.	
Risk Assessment – Investments Branch	3/00	Complete	Reported to the TRB 10/12/00.	9/25/00
CPA coordination: FY 99/00 Fin. Stmts.	6/00	Complete	External auditor's F/S & Mngmt. Reports were issued 10/00 & 12/00, respectively.	N/A
Audit Leverage Software Implementation	7/00	10/00	Training completed 8/00. Time-tracking module initiated 9/00. Implementation of other modules in progress.	N/A
AB 1509 Implementation Team	7/00	7/01	Teamwork in progress.	N/A
Internal Audits Follow-Up, Qtr. 1-FY 00/01	8/00	Complete	Reported to TRB on 10/12/00.	9/25/00
Information Security-Best Practices	8/00	Complete	Project complete. Reported to Admin. Br. DCEO 9/00.	9/19/00

Special Project	Month Started	Target for Completion	Status of Project	Date of Final OOA Report
Feasibility Study for E-Services (Panel participation with ITSD staff)	8/00	Complete	OOA's Participation on panel was completed 10/00. ITSD staff are working with management to finalize project.	N/A
Perform Information Security Office (ISO) Functions	9/00	Ongoing	ISO position vacant. Functions being performed by EDP auditor.	N/A
Technical Assistance Projects	11/00	Ongoing	Completed analysis for Accounting Unit 1/01; Inv. Br. R/E analysis in progress.	N/A
Internal Audits Follow-Up, Qtr. 2-FY 00/01	1/01	Complete	Reported to TRB on 2/08/01.	1/22/01

OFFICE OF AUDITS
COMPLIANCE CASES: STATUS REPORT
Fiscal Year 2000-2001
July 1, 2000 through December 31, 2000

Number	Assignments	Status
	<u>Cases in Progress (33): FYTD as of December 31, 2000:</u>	
C-2127	Gilroy Unified School District	Case work in progress.
C-2164	Oakland Unified School District	Case work in progress.
C-2167	Oakland Unified School District	Case work in progress.
C-2168	San Joaquin Delta Community College District	Case work in progress
C-2226	West Contra Costa Unified School District	Case work in progress.
C-2227	West Contra Costa Unified School District	Case work in progress.
C-2228	West Contra Costa Unified School District	Case work in progress.
C-2229	West Contra Costa Unified School District	Case work in progress.
C-2230	West Contra Costa Unified School District	Case work in progress.
C-2261	Ventura Community College	Case work in progress.
C-2267	Shaffer Unified School District	Case work in progress.
C-2279	Santa Cruz County Office of Education	Case work in progress.
C-2280	Santa Cruz County Office of Education	Case work in progress.
C-2281	Santa Cruz County Office of Education	Case work in progress.
C-2282	Santa Cruz County Office of Education	Case work in progress.
C-2286	Los Angeles Unified School District	Case work in progress.
C-2287	Los Angeles Unified School District	Case work in progress

Number	Assignments	Status
C-2302	Santa Cruz Regional Occupational Center	Case work in progress
C-2303	Santa Cruz Regional Occupational Center	Case work in progress
C-2304	Santa Cruz Regional Occupational Center	Case work in progress
C-2305	Santa Cruz Regional Occupational Center	Case work in progress
C-2306	Santa Cruz Regional Occupational Center	Case work in progress
C-2311	Lassen Unified High School District	Case work in progress
C-2312	Lassen Unified High School District	Case work in progress
C-2313	Lassen Unified High School District	Case work in progress
C-2314	Lassen Unified High School District	Case work in progress
C-2315	Lassen Unified High School District	Case work in progress
C-2316	Lassen Unified High School District	Case work in progress
C-2317	Lassen Unified High School District	Case work in progress
C-2318	Lassen Unified High School District	Case work in progress
C-2319	Lassen Unified High School District	Case work in progress
C-2320	Lassen Unified High School District	Case work in progress
C-2321	Lassen Unified High School District	Case work in progress

	<u>Final Reports Issued FYTD From July 1 through December 31, 2000 (28):</u>	
Number	Assignments	Status
C-2263	Lassen Community College District	Referred to District Audits
C-2264	Lassen Community College District	Referred to District Audits.
C-2265	Lassen Community College District	Referred to District Audits

Number	Assignments	Status
C-2266	Susanville Elementary Scholl District	Final Report Issued 12/5/00
C-2268	Ravendale Elementary School District	Final Report Issued 11/03/00
C-2273	Chowchilla Union High School District	Final report issued 7-3-00
C-2277	Victor Valley Community College District	Final Report Issued 12/13/00
C-2283	Los Angeles County Office of Education	Final report issued 7-18-00
C-2284	Yuba City Unified School district	Final Report Issued 11/20/00.
C-2285	Yuba City Unified School district	Final Report Issued 11/20/00
C-2288	Alisal Union elementary School District	Final Report Issued 12/13/00
C-2289	Lake Elsinore Unified School District	Final Report Issued 12/5/00
C-2290	Riverside County Office of Education	Final report issued 7-3-00
C-2291	Suisun Unified School district	Final report issued 8-30-00
C-2292	Orange Unified School District	Final report issued 8-25-00
C-2293	Garden Grove Unified School District	Final report issued 9-11-00
C-2294	North Orange County Community College District	Final report issued 9-5-00
C-2295	North Orange County Community College District	Final report issued 8-16-00
C-2296	Capistrano Unified School District	Final report issued 9-12-00
C-2297	North Orange County Community College District	Final Report Issued 8/25/00
C-2298	Orange Unified School District	Final Report Issued 11/21/00
C-2299	Belmont Elementary School District	Final Report Issued 8/1/00
C-2300	Freemont Union High School District	Final Report Issued 9/11/00

Number	Assignments	Status
C-2301	Freemont Union High School District	Final Report Issued 9/1/00
C-2307	Riverside County Office Of Education	Final Report Issued 11/17/00
C-2308	Freemont Unified School District	Final Report Issued 10/26/00
C-2309	Rio Linda Unified Elementary School District	Final Report Issued 10/25/00
C-2310	Desert Sands Unified School District	Final Report Issued 11/2/00